



Chapter 1

Successful entrepreneurship career in the case of circular economy

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1.1. Overview of the definitions and characteristics

The term entrepreneur derives from the French language (*entreprendre* - entrepreneur) and has the meaning of "the person who does something different" This term was originally used to designate the founder of a business enterprise, established for the purpose of making a profit. The first economists who introduced this term in the specialized economic literature were the French ones, among whom are R. Cantillon and J. B. Say.

Richard Cantillon (1680-1734) was the first economist to use the term "entrepreneur". He identified three different forms of entrepreneurship (Cantillon, 1931):

- a) landowners, whom he called capitalists;
- b) entrepreneurs, whom he called arbitrators;
- c) paid managers.

In Cantillon's opinion, the entrepreneur must be willing to take some risk. Thus, from Cantillon to the present day, entrepreneurship is associated with risk-taking. For Richard Cantillon the entrepreneur is an "adventurer", who purchase goods and materials in order to sale them later.

Jean-Baptiste Say (1767-1832) was the first who used the term entrepreneur in literature and economic practice. According to J.B. Say, the entrepreneur is that person who "transfers resources from an area of lower productivity to one with higher productivity and higher profit", thus creating value. He is also the first economist to see the entrepreneur as a manager, overlapping the functions of the entrepreneur with those of the manager (Koolman, 1971).

In the twentieth century, the most prominent personality who changed the signification of the term "entrepreneurship" was Joseph Schumpeter (1883-1950). Schumpeter revolutionizes theories of entrepreneurial economics by introducing the concept of "development" (meaning "change"). For him, the only people who can contribute to "economic development" are leaders who have the energy and motivation to act differently, to open a new path. Schumpeter describes the leader as a man of action who confronts reality, introducing new methods and means to initiate something qualitative and innovative. What differentiates the entrepreneur (the "man of action") from the static person is courage, vision and creative spirit.

Entrepreneurship for Schumpeter is that kind of dynamic economic development or change aimed at achieving new combinations. A "new combination" (innovation) is a new way of



combining, in an innovative manner, existing resources, materials or means of production. Schumpeter presents five possible new combinations (Schumpeter, 1934):

- a new product;
- a new methods of production;
- a new market;
- a new sources of supply of raw material or semi-finished goods;
- a new industry structure.

The essence of the theory of entrepreneurship, developed by Schumpeter, is centred on three main themes (Schumpeter, 1934):

- a) innovation (re-alloying of "new combinations");
- b) assuming risk and uncertainty;
- c) making a profit.

At the end of the twentieth century, Peter Drucker, starting from the theories of J. B. Say and that of Schumpeter regarding entrepreneurship, adapted these theories to the contemporary economic reality. P. Drucker believes that the entrepreneurs are not capitalists, although they need capital, they are not investors either, although they take risks and are not necessarily owners or owners. The entrepreneur is a dynamic person who has the ability to take the best decision in conditions of risk and uncertainty, who seeks change and exploits it as an opportunity. One of the specific tool of entrepreneurs is innovation. Successful entrepreneurs are those who know how to learn from their own failures/mistakes and those of others (Drucker, 2006).

Currently, entrepreneur means the person who identifies the opportunity of a business, who assumes responsibility and the risk of initiating it and obtains the necessary resources to start the activity. Thus, the entrepreneur is a person who initiates and carries out a set of activities characterized by risk and innovation in order to obtain material and personal satisfactions.

A more comprehensive definition of entrepreneurship that also captures the functional roles of entrepreneurs was proposed by Wennekers and Thurik (1999). These authors believe that entrepreneurship reflects "the manifest ability and willingness of individuals, on their own, in teams within and outside existing organizations, to perceive and create new economic opportunities (new products, new production methods, new organisational schemes and new product-market combinations) and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions." (U.N.C.A.D., 2004)

1.2. Entrepreneur versus manager

The literature regarding the characteristics of entrepreneurs uses many definitions for the term „entrepreneur”. Some of the studies consider that the entrepreneur is the same with the manager, other studies consider that they are two separate persons. As Salmony and Kanbach (2021) argue, there is no consensus in the literature about the definition of the entrepreneur,



but there are some studies that analyze separately the entrepreneur and the manager. Moreover, we consider that this is a topic that needs attention because there are some differences between entrepreneurs and managers. Usually, in small companies, like start-ups, the person who establishes the company is also the person that manages all the processes of the firm. However, there are cases, especially in bigger companies, where the entrepreneur prefers to employ a manager and transfer to him the managing responsibilities, while he focuses on the innovation and strategic process of the firm.

The main difference between the entrepreneur and the manager is that the first one is the owner of the firm, while the second one is an employee for the firm. The entrepreneur has higher risks, because he invested in the company and in case of bankruptcy, he might lose everything. In the contract, the manager has lower risks, because he is just an employee and, in the worst scenario, he might lose his job and his salary. Also, another difference between entrepreneurs and manager regards the abilities that each of them use to achieve the goals of the firm. While the entrepreneur has to be innovative and to design the path of the company, the manager has to be a very good administrator of the resources in order to accomplish the objectives assumed by the entrepreneur. The manager tries to find the best solutions to achieve the operational objectives of the firm, while the entrepreneur focuses on the strategical objectives of the company. This difference between the two appears because the entrepreneur is more long-term focused, while the manager is more short-term focused. While the entrepreneur desires to grow its company, the manager is an employee who follows to fulfill its work responsibilities and receive its salary.

As Malach-Pines et al. (2002) acknowledges, entrepreneurs are more likely to be self-confident and committed to their objectives. Also, in case of failure, they have the ability to get through bad situations quickly and to stick to their goals with persistence.

The literature about the difference between entrepreneurs and managers points out that there are some psychological differences between the two. As Fagenson (1993) argue, while managers are more focused on securing the job and a good salary, the persons who choose to be an entrepreneur are more freedom-driven and are in a permanent seek to get better and do the best of their potential. Also, Fagenson (1993) studies the differences between men and women that choose to be entrepreneurs or managers and finds that there aren't significant differences between the two when exercising these roles, but the differences are more evident depending on the role they have: whether they are entrepreneurs or managers. Furthermore, Stewart and Roth (2007) show that entrepreneurs are more achievement motivated than the managers.

One of the most important differences between entrepreneurs and managers takes into account the innovative skills (Utsch, 1999). The entrepreneurs are more innovative than managers and the persons who choose to be an entrepreneur is characterized by courage and initiative. However, these attributes may also characterize the manager, but when he acts like an entrepreneur, he corresponds more to the concept of intrapreneur. Utsch (1999) show that entrepreneurs and managers seem to be alike when it comes to proactiveness.



When discussing about the difference between entrepreneurs and managers we have to take into account that sometimes it might appear a conflict of interest, driven by the fact that managers might take some decisions that affect the shareholders' wealth. However, by definition, the managers have to follow the rules imposed by the entrepreneur in order to achieve the goals of the company. Also, studies have revealed that the differences between managers and entrepreneurs appear because of psychological causes. In general, a person who thinks like an entrepreneur is autonomous, innovative and risk-seeker, while a person who thinks like a manager is oriented on the procedural and operational part of the business.

In conclusion, it is important to acknowledge the differences between entrepreneurs and managers because a person who psychologically designed as an entrepreneur will not feel good in the position of a manager, although there are plenty of situations, especially when the company is at its beginnings, when the entrepreneur has to manage its own business. Also, a person who is psychologically designed as a manager will not have the intuition and the entrepreneurial skills to develop new and new strategies for the company.

1.3. Entrepreneurship in the case of circular economy

The circular economy has received increased attention in the literature because its implications are more and more important nowadays and they are also related to many aspects of economics, especially to entrepreneurship (Maldonado-Guzman et al., 2021). However, as Del Vecchio et al (2021) argue, little evidence is documented about the relation between entrepreneurship and circular economy. The authors study this relation from the perspective of the importance of the entrepreneurship education and competences developed in the university programmes for the understanding and implementation of the principles of circular economy. Furthermore, in order to achieve the sustainability goals imposed by the circular economy, it is very important for the policy makers in education field to design study programmes that could develop skills and competences requested by the business making in the context of the circular economy.

The circular economy implies changes in the production process, but also in the consumption process. Entrepreneurs can foster the circular economy principles by creating and designing business models that are "green oriented" and firms that take into account the environment in each and every of their activities. Also, entrepreneurs may create companies that use the recycling principles. In addition to the involvement of entrepreneurs in the circular economy, consumers may create different products by recycling and reusing different materials that could be resold to the market. We consider that circular economy and the entrepreneurial initiative in this field request a responsible behavior for both the producers and the consumers.

As Panait et al. (2022) argue, the entrepreneurial initiative in circular economy is directed to finding the best solutions for using the scarce resources in order to reduce waste and to promote the zero-waste principles of the circular economy and the sustainable development goals. Being a new area of study, the connection between entrepreneurship and circular economy implies a new business framework that may impose new risks for firms. Also, as



Mehrota and Jaladi (2022) emphasize, implementing the sustainable development principles in companies may require a change in the firms' policies, procedures and ethical practices, including a mentality shift to a more responsible one.

Moreover, as Bocken et al. (2016) states, the design and business model strategies have to cooperate in order to pass from a linear economy to a circular one. Some authors argue that it is necessary to establish a cooperation between small and medium-sized enterprises with large corporations and also municipalities in order to implement the zero waste goals stated in the circular economy framework (Vesela and Gavin, 2018).

The transition from a linear economy to a circular one has to take into account the factors that influence the recycling behavior. In this sense, Önder (2018) conducts a panel study that analyse the determinants of recycling in the European countries and the results show that a higher level of education and higher amount of resources increase the recycling rate, while higher income levels diminishes the recycling rate. These results emphasize that it is important to examine the determinants of recycling both from macro and micro-economical perspective.

In conclusion, it becomes more and more important to study the relation between entrepreneurship and circular economy because this interaction is thought to change the way entrepreneurs create and design their business by taking into account the effects that their activities might have on the environment. We consider that this is a topic of interest for both the entrepreneurs and the policy makers and it represents a direction for future research.

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